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# Payments Infrastructure Is a Front Line

*Grey-listing, de-risking and strategic competition in the Pacific: field observations from Papua New Guinea*

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## Why this paper

The question now before Congress is whether FinCEN's operations and the Bank Secrecy Act are producing effective counter-illicit-finance outcomes. Papua New Guinea offers a useful test. FATF added PNG to the jurisdictions under increased monitoring on February 13, 2026; its June 19 statement retained PNG on a list of 22 jurisdictions. FATF expressly states that increased monitoring does not call for enhanced due diligence or the cutting-off of entire customer classes. Nevertheless, the designation changes the commercial risk calculation faced by banks and counterparties. This paper reports what that pressure looks like on the ground, drawing on interviews with officials, business leaders, merchants and civil-society figures in Port Moresby, Lae and the Highlands, first presented to an internal Reserve Bank of Australia payments-policy seminar in July 2025.[1,2,7]

The proposition is narrower than an argument for or against grey-listing: if higher compliance expectations are not paired with viable financial access and institutional support, the outcome may be less visibility rather than more. The argument is also incremental, not categorical. U.S. authorities do not see every Pacific payment today. The relevant question is whether a route that did use a U.S.-dollar correspondent ceases to do so, which data and leverage disappear at that margin, and what lawful information-sharing replaces them.[1,6]

> "If higher compliance expectations are not paired with viable financial access and institutional support, the outcome may be less visibility rather than more."

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## When compliance pressure meets a small market

Small, low-volume Pacific markets expose a specific de-risking mechanism. Treasury identifies foreign financial institutions with low correspondent-banking transaction volumes as particularly vulnerable; the Reserve Bank of Australia likewise finds that the risk/return profile in smaller countries is less attractive and recorded a roughly 60% fall in active South Pacific correspondents between 2011 and 2022, almost twice the global decline. Field interviews in PNG described foreign-currency accounts that could take months to open, narrowing remittance options and trade finance migrating towards providers able to execute it. A grey-list designation may sharpen these pressures even though FATF does not require banks to withdraw.[3,7,12]

The market is small only on a bank's ledger. Liquefied natural gas accounted for roughly 43 per cent of PNG's exports in 2024 and gold a further 21 per cent — its value having doubled since 2021 — with agriculture, forestry and fisheries contributing about 11 per cent alongside copper and other minerals, and much day-to-day commerce running on cash. When correspondent access narrows, it is that value which loses the infrastructure that evidences it.[14]

> "The market is small only on a bank's ledger."

PNG's formal banking sector includes major banks ANZ and Westpac, but their presence does not by itself show how broadly banking access extends across the market. ANZ explicitly narrowed its PNG business to institutional and large-corporate banking; Westpac advertises retail, business and corporate services. The policy question is what sits outside that perimeter. Fieldwork points to a difficult middle of SMEs, local suppliers, cash-intensive traders and cross-border agents whose business may be uneconomic, too opaque or outside institutional risk appetite. That is where the information gaps are greatest and where criminal intermediation can hide within ordinary commerce.[7,9,10]

The constructive response is not hypothetical. Across fragile markets in the Middle East and South Asia, including Syria, Yemen, Iraq and Afghanistan, my operating team has supplied a regulated compliance-and-evidence layer around licensed local banks, money service businesses and last-mile providers. It screens parties, attributes payments, records foreign-exchange and settlement steps, and reconciles separately captured delivery evidence. That infrastructure makes legitimate but difficult activity legible to upstream institutions and regulators. Exit without such a pathway risks moving value into channels that generate less usable evidence.[8]

## What is changing

The shift is visible. As of March 2026, Bank of China was not among PNG's seven licensed commercial banks; Bank of China's own network listing describes its Port Moresby presence as a representative office. The more consequential development is domestic: TISA Bank launched direct CNY settlement for PNG-China trade in early 2026. Its public account says a customer's kina account is debited and the Chinese supplier is settled in CNY, bypassing the previous PGK-USD-CNY conversion. It also says that established SWIFT messaging channels are used. That account does not identify the message type, correspondent chain or beneficiary-side clearing. SWIFT is a messaging network, not the settlement system; its use does not by itself establish an end-to-end MT103 or a U.S. nexus. Direct CNY settlement is lawful payment infrastructure, not evidence of illicit finance.[4,5,6,11]

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"Direct CNY settlement is lawful payment infrastructure, not evidence of illicit finance."

> *Source-protected interviews in 2025 emphasised the same practical arithmetic: traders will choose settlement routes that are available, faster and easier to fund, including RMB settlement and commodity-based arrangements where conventional foreign-exchange access is constrained.*[7]

The strategic implication is narrower than the currency label suggests. Invoice currency, messaging channel and settlement route are distinct. An AUD-denominated invoice does not by itself create a U.S. nexus, just as a SWIFT message does not give FinCEN routine access. The relevant comparison is whether a U.S. institution or dollar correspondent sat in the actual route. TISA says its new service removes a prior PGK-USD-CNY conversion; to that extent it removes one potential U.S.-bank data and leverage point. Public evidence does not permit the scale of that effect to be quantified. Records may remain at TISA, its correspondent and beneficiary institutions, but access depends on jurisdiction and cooperation, not on the word SWIFT.[6,11]

Gold smuggling itself is documented in the public record. In October 2025 a special parliamentary committee described illicit alluvial-gold exports as a systemic problem, revising its preliminary estimate of the annual loss upward to approximately K1.3 billion. Between December 2025 and April 2026 five attempted smuggling incidents were recorded at Jacksons International Airport. Several source-protected interviewees alleged a more specific route: concealment in export commodity shipments. That route has not been independently verified. The distinction matters: effective control depends on verified parties, source, value, purpose and trade documentation — not on treating all export trade, a currency or a payment rail as inherently suspect.[7,13]

## The upstream condition

Downstream traceability cannot substitute for upstream enforcement. Pacific stakeholders repeatedly described financial intelligence moving out of the region faster than enforcement consequences returned: assets identified abroad were not always recovered, while the beneficiaries of corruption continued to enjoy proceeds in major financial centres. FinCEN's value in this chain lies in producing and sharing intelligence that can support restraint, forfeiture and recovery, not simply in increasing the number of reports filed. Verified payment infrastructure at the grassroots and serious cross-border enforcement are complementary controls.[1,7]

## What this means for the United States

- **Measure visibility loss as an AML/CFT outcome.** FinCEN and Treasury should track correspondent withdrawals, settlement-route changes and the availability of transaction-level data in grey-listed small economies. A control framework is not effective if regulated flows migrate into less observable channels.[1,2,3]
- **Attach a financial-access and capacity pathway to remediation.** FATF action plans should be accompanied by practical support for viable correspondent access and partnership models that raise licensed local institutions to the required standard. This is consistent with a risk-based approach; it does not mean lowering the standard.[2,3]

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– **Do not confuse alternative currency with illicit finance.** TISA says that SWIFT messaging is used, but its public description does not establish the message type or full settlement route. The U.S. concern is only the incremental loss of a dollar-intermediation point where one previously existed, not the use of CNY itself. U.S. policy should compete on access, speed, control quality and information-sharing across any currency.[6,11]

## Basis of this paper

Dr Edwina A. Thompson has researched and operated within informal and formal financial systems in fragile economies for more than twenty years, beginning with doctoral fieldwork in the Highlands of Papua New Guinea and later inside Afghanistan's money markets. As a researcher and at Amanacard, she has built compliance and payment-evidence layers around licensed local institutions and last-mile providers across Africa and the Middle East. Interview material is held under source-protection commitments; further context can be provided on request, consistently with those commitments.[8]

*Contact via trustisthecoin.com. Companion papers: "Demystifying Hawala" and "Verified Delivery."*

## Sources and notes


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